

# **HOPE TOWNSHIP**

Midland County, Michigan

## **FINANCIAL STATEMENTS**

June 30, 2008

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## INDEPENDENT AUDITORS' REPORT

To the Township Board  
Hope Township, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hope Township as of and for the year ended June 30, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hope Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hope Township as of June 30, 2008, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hope Township's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

*Berthiaume & Co.*

October 23, 2008

## ***BASIC FINANCIAL STATEMENTS***

# HOPE TOWNSHIP

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## STATEMENT OF NET ASSETS

June 30, 2008

	<u><i>Governmental Activities</i></u>
<b>Assets</b>	
Cash and cash equivalents	\$ 530,511
Receivables	176,097
Capital assets:	
Nondepreciable capital assets	136,904
Depreciable capital assets, net	<u>455,587</u>
Total assets	<u>1,299,099</u>
<b>Liabilities</b>	
Accounts payable and accrued expenses	15,418
Long-term liabilities:	
Due in more than one year	<u>177,500</u>
Total liabilities	<u>192,918</u>
<b>Net assets</b>	
Invested in capital assets	592,491
Restricted for:	
Debt service	30,690
Unrestricted	<u>483,000</u>
Total net assets	<u>\$ 1,106,181</u>

*The accompanying notes are an integral part of these financial statements.*

# HOPE TOWNSHIP

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<b>Functions/Programs</b>				
<i>Governmental activities:</i>				
General government	\$ 99,476	\$ 3,905	\$ 2,613	\$ (92,958)
Public safety	49,616	-	-	(49,616)
Public works	217,750	79,680	10,277	(127,793)
Community and economic development	4,685	850	-	(3,835)
Recreation and culture	20,729	-	11,477	(9,252)
Interest on long-term debt	10,611	-	-	(10,611)
Total governmental activities	402,867	84,435	24,367	(294,065)
General revenues:				
Taxes:				
Property taxes, levied for general purpose				52,950
Property taxes, levied for roads				87,202
Property taxes, levied for fire protection				79,603
Payment in lieu of property taxes				997
Franchise fees				1,264
Grants and contributions not restricted to specific programs				87,932
Unrestricted investment earnings				14,479
Miscellaneous				3,157
Total general revenues				327,584
Change in net assets				33,519
Net assets, beginning of year				1,072,662
Net assets, end of year				\$ 1,106,181

The accompanying notes are an integral part of these financial statements.

# HOPE TOWNSHIP

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## GOVERNMENTAL FUNDS

### BALANCE SHEET

June 30, 2008

	<i>Major Governmental Funds</i>				
	<i>General Fund</i>	<i>Roads Fund</i>	<i>Fire Fund</i>	<i>Solid Waste Fund</i>	<i>Water Project Fund</i>
<b>Assets:</b>					
Cash and cash equivalents	\$ 141,219	\$ 82,586	\$ 177,322	\$ 80,443	\$ 30,690
Accounts receivable	1,584	-	-	-	-
Special assessments receivable	-	-	-	-	141,600
Due from other governmental units	32,913	-	-	-	-
Due from other funds	304	-	-	-	-
Total assets	<u>\$ 176,020</u>	<u>\$ 82,586</u>	<u>\$ 177,322</u>	<u>\$ 80,443</u>	<u>\$ 172,290</u>
<b>Liabilities and Fund Balances:</b>					
<i>Liabilities:</i>					
Accounts payable	\$ 6,975	\$ -	\$ 631	\$ 7,812	\$ -
Due to other funds	-	-	304	-	-
Deferred revenue	-	-	-	-	141,600
Total liabilities	<u>6,975</u>	<u>-</u>	<u>935</u>	<u>7,812</u>	<u>141,600</u>
<i>Fund balances:</i>					
Reserved for:					
Debt service	-	-	-	-	30,690
Unreserved:					
General fund	169,045	-	-	-	-
Special revenue funds	-	82,586	176,387	72,631	-
Total fund balances	<u>169,045</u>	<u>82,586</u>	<u>176,387</u>	<u>72,631</u>	<u>30,690</u>
Total liabilities and fund balances	<u>\$ 176,020</u>	<u>\$ 82,586</u>	<u>\$ 177,322</u>	<u>\$ 80,443</u>	<u>\$ 172,290</u>

*The accompanying notes are an integral part of these financial statements.*

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<i>Nonmajor Governmental Funds</i>	<i>Total Governmental Funds</i>
\$ 18,251	\$ 530,511
-	1,584
-	141,600
-	32,913
-	304
<u>\$ 18,251</u>	<u>\$ 706,912</u>

\$ -	\$ 15,418
-	304
-	141,600
<u>-</u>	<u>157,322</u>

-	30,690
-	169,045
<u>18,251</u>	<u>349,855</u>
<u>18,251</u>	<u>549,590</u>
<u>\$ 18,251</u>	<u>\$ 706,912</u>



# HOPE TOWNSHIP

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## RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

June 30, 2008

**Total fund balances for governmental funds** \$ 549,590

Total net assets reported for governmental activities in the statement of  
of net assets is different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported in the governmental funds.

Governmental capital assets	808,024	
Less accumulated depreciation	<u>(215,533)</u>	592,491

Deferred revenues reported in the governmental funds are recognized as revenues  
for the governmental activities. 141,600

Long-term liabilities are not due and payable in the current year and  
therefore are not reported in the governmental funds:

Bond payable	<u>(177,500)</u>
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**Net assets of governmental activities** \$ 1,106,181

# HOPE TOWNSHIP

## GOVERNMENTAL FUNDS

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2008

	<i>Major Governmental Funds</i>				
	<i>General Fund</i>	<i>Roads Fund</i>	<i>Fire Fund</i>	<i>Solid Waste Fund</i>	<i>Water Project Fund</i>
<b>Revenues:</b>					
Property taxes	\$ 53,947	\$ 87,202	\$ 79,603	\$ -	\$ -
Licenses and permits	1,264	-	-	-	-
State grants	92,999	-	-	-	-
Charges for services	4,225	-	-	79,680	-
Interest and rents	6,381	2,149	3,893	1,504	855
Other revenue	3,178	-	-	-	16,673
Total revenues	<u>161,994</u>	<u>89,351</u>	<u>83,496</u>	<u>81,184</u>	<u>17,528</u>
<b>Expenditures:</b>					
Current					
General government	91,651	-	-	-	-
Public safety	156	-	32,655	-	-
Public works	147,071	-	-	70,679	-
Community and economic development	4,685	-	-	-	-
Recreation and culture	17,112	-	-	-	-
Other	5,785	-	-	-	-
Capital outlay	13,539	-	6,791	-	-
Debt service					
Principal	-	-	57,156	-	10,000
Interest and fees	-	-	2,837	-	7,774
Total expenditures	<u>279,999</u>	<u>-</u>	<u>99,439</u>	<u>70,679</u>	<u>17,774</u>
Excess (deficiency) of revenues over expenditures	<u>(118,005)</u>	<u>89,351</u>	<u>(15,943)</u>	<u>10,505</u>	<u>(246)</u>
<b>Other financing sources (uses):</b>					
Transfers from other funds	125,938	-	-	-	-
Transfers to other funds	-	(125,938)	-	-	-
Total other financing sources (uses)	<u>125,938</u>	<u>(125,938)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	7,933	(36,587)	(15,943)	10,505	(246)
Fund balances, beginning of year	<u>161,112</u>	<u>119,173</u>	<u>192,330</u>	<u>62,126</u>	<u>30,936</u>
Fund balances, end of year	<u>\$ 169,045</u>	<u>\$ 82,586</u>	<u>\$ 176,387</u>	<u>\$ 72,631</u>	<u>\$ 30,690</u>

The accompanying notes are an integral part of these financial statements.

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<i>Nonmajor Governmental Funds</i>	<i>Total Governmental Funds</i>
\$ -	\$ 220,752
-	1,264
-	92,999
-	83,905
172	14,954
<u>11,602</u>	<u>31,453</u>
<u>11,774</u>	<u>445,327</u>
-	91,651
-	32,811
-	217,750
-	4,685
-	17,112
-	5,785
-	20,330
-	67,156
<u>-</u>	<u>10,611</u>
<u>-</u>	<u>467,891</u>
<u>11,774</u>	<u>(22,564)</u>
-	125,938
<u>-</u>	<u>(125,938)</u>
<u>-</u>	<u>-</u>
11,774	(22,564)
<u>6,477</u>	<u>572,154</u>
<u>\$ 18,251</u>	<u>\$ 549,590</u>

# HOPE TOWNSHIP

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## RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

**Net change in fund balances - total governmental funds** \$ (22,564)

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	15,901	
Less depreciation expense	(16,903)	
Less loss on disposal of assets	<u>(1,221)</u>	(2,223)

Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenue in the funds. (8,850)

Repayment of principal on bonds is an expenditure in governmental funds, but the payment reduces long-term liabilities in the statement of net assets. 67,156

**Change in net assets of governmental activities** \$ 33,519

*The accompanying notes are an integral part of these financial statements.*

# HOPE TOWNSHIP

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## *FIDUCIARY FUND*

### **STATEMENT OF FIDUCIARY NET ASSETS**

June 30, 2008

	<i><u>Agency Fund</u></i>
<b>Assets</b>	
Cash and cash equivalents	<u>\$ 1,000</u>
<b>Liabilities</b>	
Accounts payable	<u>1,000</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$ -</u></u>

*The accompanying notes are an integral part of these financial statements.*

## ***NOTES TO FINANCIAL STATEMENTS***

# HOPE TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2008

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The accounting policies of Hope Township conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

#### **Reporting Entity:**

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Township and its component units, if any. In evaluating the Township as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Township may be financially accountable and, as such, should be included within the Township's financial statements. The Township (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Township. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There are no component units included in the Township's reporting entity.

**Joint Venture** – The Township is a member of the Water District No. 1 of Midland County, which was established to service and collect water fees for six communities – Hope Township, Lincoln Township, Jerome Township, Edenville Township, Lee Township and the Village of Sanford. The Township appoints two members to the governing board.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation:**

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

#### ***Government-wide Financial Statements:***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government. These statements distinguish between activities that are governmental and those that are business-type activities. The Township has no business-type activities.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2008

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts (1) invested in capital assets, (2) restricted net assets, and (3) unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Township's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Township does not allocate indirect costs. In creating the government-wide financial statements, the Township has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Township as an entity and the change in the Township's net assets resulting from current year activities.

### ***Fund Financial Statements:***

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government. When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.



# HOPE TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting as are the proprietary funds.

The Township reports the following major governmental funds:

The **General Fund** is the primary operating fund of the Township. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The **Roads Fund** is used to account for the revenues received from a property tax levy for repairs and maintenance of roads within the Township.

The **Fire Fund** is used to account for the revenues received from a property tax levy for the purpose of providing fire protection to the residents of the Township.

The **Solid Waste Fund** is used to account for the revenues received from residents for the purpose of providing garbage and rubbish collection.

The **Water Project Fund** is used to account for the revenues received from a special assessment levy to make the principal and interest payments in relation to a bond issuance.

### Assets, Liabilities and Equity

**Deposits and Investments** – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments, if any, are stated at fair value.

**Interfund Receivables and Payables** – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

**Capital Assets** – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Township defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized if acquired after July 1, 2003.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	75-100 years
Equipment	5-50 years
Site improvements	20 years

## NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**Compensated Absences** – It is the Township’s policy to not permit employees to accumulate earned but unused sick and vacation days. Therefore, there is no liability shown in the government-wide financial statements.

**Long-term Obligations** – In the government-wide financial statements, long-term debt is reported as liabilities in the governmental activities statement of net assets.

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### **Use of Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

### **Eliminations and Reclassifications:**

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

### **Property Taxes:**

Property taxes are attached as an enforceable lien on property as of December 1. Taxes are levied December 1 and are due without penalty on or before February 14. These tax bills include the Township’s own property taxes and taxes billed on behalf of the school districts within the Township boundaries and Midland County.

The 2007 taxable valuation of the Township totaled \$45,366,621, on which ad valorem taxes levied consisted of 1.1540 mills for the Township’s operating purposes, 1.9169 mills for roads and 1.7500 mills for fire.

The delinquent real property taxes of the Township are purchased by Midland County.

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## **NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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### **Budgetary Information:**

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

# HOPE TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2008

1. The Township Treasurer submits to the Township Board a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted by adoption by the Township Board.
4. Any revision that alters the total expenditures of any fund must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for all budgetary funds.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the Township Board is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

### Excess of Expenditures over Appropriations in Budgeted Funds:

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year, the Township did incur expenditures that were in excess of the amounts budgeted, as follows:

	<i><u>Final Budget</u></i>	<i><u>Actual</u></i>	<i><u>Excess</u></i>
General Fund			
General government	\$ 89,306	\$ 91,651	\$ 2,345
Public safety	-	156	156
Public works	21,762	147,071	125,309
Community and economic development	4,564	4,685	121
Capital outlay	-	13,539	13,539
Roads Fund			
Transfers to other funds	-	125,938	125,938
Fire Fund			
Debt service	-	59,993	59,993

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### NOTE 3: DEPOSITS AND INVESTMENTS

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Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

# HOPE TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2008

### Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. The Township does not have a deposit policy for custodial credit risk. At year-end, the Township had \$543,167 of bank deposits (checking and savings accounts), of which \$297,348 is covered by federal depository insurance and the remainder is uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits, and the limits of FDIC insurance, it is impractical to insure all deposits. At year end, the Township had no investments.

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### NOTE 4: CAPITAL ASSETS

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Capital assets activity of the Township's governmental activities was as follows:

	<i><u>July 1, 2007</u></i>	<i><u>Additions</u></i>	<i><u>Retirements</u></i>	<i><u>June 30, 2008</u></i>
<b>Governmental activities:</b>				
Nondepreciable capital assets				
Land	\$ 136,904	\$ -	\$ -	\$ 136,904
Depreciable capital assets				
Buildings and improvements	141,368	-	-	141,368
Equipment	517,076	4,948	(6,925)	515,099
Site improvements	<u>3,700</u>	<u>10,953</u>	<u>-</u>	<u>14,653</u>
Total depreciable capital assets	662,144	15,901	(6,925)	671,120
Accumulated depreciation	<u>(204,334)</u>	<u>(16,903)</u>	<u>5,704</u>	<u>(215,533)</u>
Depreciable capital assets, net	<u>457,810</u>	<u>(1,002)</u>	<u>(1,221)</u>	<u>455,587</u>
Governmental activities, capital assets, net	<u>\$ 594,714</u>	<u>\$ (1,002)</u>	<u>\$ (1,221)</u>	<u>\$ 592,491</u>

Depreciation expense was charged to programs of the primary government as follows:

<b>Governmental activities:</b>	
General government	\$ 1,904
Public safety	13,046
Recreation and culture	<u>1,953</u>
Total governmental activities	<u>\$ 16,903</u>

# HOPE TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

June 30, 2008

### NOTE 5: DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Special assessments	\$ -	\$ 146,910

### NOTE 6: LONG-TERM LIABILITIES

The Township may issue bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. Long-term liabilities at June 30, 2008 consisted of the following:

<u>Types of Indebtedness</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding at Year-End</u>
<b><u>Governmental Activities</u></b>					
<b><u>General Obligation Bonds:</u></b>					
2004 Issue - Water Supply System	8/1/06-8/1/24	1.9-4.75%	\$7,500-12,500	\$ 210,000	\$ 177,500
<b><u>Loan Payable:</u></b>					
2006 Loan - Fire Pumper/Tanker	7/11/07-10/16/07	4.31%	\$2,011-51,067	\$ 74,985	\$ -

The following is a summary of long-term liabilities transactions for the year ended June 30, 2008:

	<u>July 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2008</u>	<u>Due within One Year</u>
<b>Governmental activities:</b>					
General Obligation Bonds:					
2004 Issue	\$ 187,500	\$ -	\$ (10,000)	\$ 177,500	\$ -
Loan Payable:					
2006 Loan	57,156	-	(57,156)	-	-
Total governmental activities					
- long-term liabilities	<u>\$ 244,656</u>	<u>\$ -</u>	<u>\$ (67,156)</u>	<u>\$ 177,500</u>	<u>\$ -</u>

# HOPE TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Annual debt service requirements to maturity for the above long-term liabilities are as follows:

<i><b>Year Ended</b></i>	<i><b>Governmental Activities</b></i>		
	<i><b>Principal</b></i>	<i><b>Interest</b></i>	<i><b>Total</b></i>
2009	\$ -	\$ 3,691	\$ 3,691
2010	10,000	7,227	17,227
2011	10,000	6,907	16,907
2012	10,000	6,567	16,567
2013	10,000	6,209	16,209
2014-2018	50,000	25,192	75,192
2019-2023	62,500	13,062	75,562
2024-2025	25,000	1,185	26,185
	<u>\$ 177,500</u>	<u>\$ 70,040</u>	<u>\$ 247,540</u>

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## NOTE 7: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

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Receivables and payables as of year end for the Township's governmental and business-type activities in the aggregate are as follows:

	<i><b>Governmental Activities</b></i>
<b>Receivables:</b>	
Special assessments	\$ 141,600
Accounts	1,584
Intergovernmental	<u>32,913</u>
Total receivables	<u>\$ 176,097</u>
<b>Accounts payable and accrued expenses:</b>	
Accounts	<u>\$ 15,418</u>
Total accounts payable and accrued expenses	<u>\$ 15,418</u>

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## NOTE 8: INTERFUND BALANCES AND TRANSFERS

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The composition of interfund receivable and payable balances at June 30, 2008 is as follows:

<i><b>Receivable Fund</b></i>	<i><b>Payable Fund</b></i>	<i><b>Amount</b></i>
General Fund	Fire Fund	<u>\$ 304</u>

# HOPE TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year. The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers during the fiscal year were as follows:

<u><i>Funds Transferred From</i></u>	<u><i>Funds Transferred To</i></u>	<u><i>Amount</i></u>
Roads Fund	General Fund	<u>\$ 125,938</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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### NOTE 9: RISK MANAGEMENT

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The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), and certain medical benefits provided to employees. The Township manages all of its loss risks with the purchase of commercial insurance. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

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### NOTE 10: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

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#### Defined Contribution Pension Plan

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contribution to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. Covered employees are considered eligible to participate immediately, and are immediately 100% vested.

The Township maintains a defined contribution pension plan for certain Township employees. The eligible employees are required to contribute 6.2% of their gross earnings, and the Township matches the 6.2%. These contributions are paid to Heritage Capital, which serves to maintain the pension plan. Actual contributions were \$2,966 for the year ended June 30, 2008.

#### Post Employment Benefits

The Township currently does not provide any post employment benefits.

***REQUIRED SUPPLEMENTAL INFORMATION***



# HOPE TOWNSHIP

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2008

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual</i>
	<i>Original</i>	<i>Final</i>		<i>Over (Under)</i> <i>Final Budget</i>
<b>Revenues:</b>				
Property taxes	\$ 50,997	\$ 51,415	\$ 53,947	\$ 2,532
Licenses and permits	2,500	2,685	1,264	(1,421)
State grants	90,534	92,753	92,999	246
Charges for services	3,250	3,084	4,225	1,141
Interest and rents	4,300	4,016	6,381	2,365
Other revenue	1,300	1,892	3,178	1,286
Total revenues	152,881	155,845	161,994	6,149
<b>Expenditures:</b>				
Current				
General government	90,415	89,306	91,651	2,345
Public safety	-	-	156	156
Public works	21,200	21,762	147,071	125,309
Community and economic development	3,600	4,564	4,685	121
Recreation and culture	24,800	17,829	17,112	(717)
Other	8,768	8,620	5,785	(2,835)
Capital outlay	-	-	13,539	13,539
Total expenditures	148,783	142,081	279,999	137,918
Excess (deficiency) of revenues over expenditures	4,098	13,764	(118,005)	(131,769)
<b>Other financing sources:</b>				
Transfers from other funds	-	5,000	125,938	120,938
Total other financing sources	-	5,000	125,938	120,938
Net change in fund balance	4,098	18,764	7,933	(10,831)
Fund balance, beginning of year	161,112	161,112	161,112	-
Fund balance, end of year	\$ 165,210	\$ 179,876	\$ 169,045	\$ (10,831)

# HOPE TOWNSHIP

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*SPECIAL REVENUE FUND – ROADS FUND*  
**BUDGETARY COMPARISON SCHEDULE**  
Year Ended June 30, 2008

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual</i>
	<i>Original</i>	<i>Final</i>		<i>Over (Under)</i> <i>Final Budget</i>
<b>Revenues:</b>				
Property taxes	\$ -	\$ -	\$ 87,202	\$ 87,202
Interest and rents	-	-	2,149	2,149
Total revenues	-	-	89,351	89,351
<b>Other financing uses:</b>				
Transfers to other funds	-	-	125,938	125,938
Total other financing uses	-	-	125,938	125,938
Net change in fund balance	-	-	(36,587)	(36,587)
Fund balance, beginning of year	119,173	119,173	119,173	-
Fund balance, end of year	<u>\$ 119,173</u>	<u>\$ 119,173</u>	<u>\$ 82,586</u>	<u>\$ (36,587)</u>

# HOPE TOWNSHIP

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## *SPECIAL REVENUE FUND – FIRE FUND*

### **BUDGETARY COMPARISON SCHEDULE**

Year Ended June 30, 2008

	<i><b>Budgeted Amounts</b></i>		<i><b>Actual</b></i>	<i><b>Actual</b></i>
	<i><b>Original</b></i>	<i><b>Final</b></i>	<i><b>Actual</b></i>	<i><b>Over (Under) Final Budget</b></i>
<b>Revenues:</b>				
Property taxes	\$ 77,212	\$ 77,212	\$ 79,603	\$ 2,391
Interest and rents	<u>3,000</u>	<u>3,000</u>	<u>3,893</u>	<u>893</u>
Total revenues	<u>80,212</u>	<u>80,212</u>	<u>83,496</u>	<u>3,284</u>
<b>Expenditures:</b>				
Current				
Public safety	36,960	36,960	31,599	(5,361)
Capital outlay	33,300	33,300	7,847	(25,453)
Debt service				
Principal	-	-	57,156	57,156
Interest and fees	<u>-</u>	<u>-</u>	<u>2,837</u>	<u>2,837</u>
Total expenditures	<u>70,260</u>	<u>70,260</u>	<u>99,439</u>	<u>29,179</u>
Net change in fund balance	9,952	9,952	(15,943)	(25,895)
Fund balance, beginning of year	<u>192,330</u>	<u>192,330</u>	<u>192,330</u>	<u>-</u>
Fund balance, end of year	<u>\$ 202,282</u>	<u>\$ 202,282</u>	<u>\$ 176,387</u>	<u>\$ (25,895)</u>

# HOPE TOWNSHIP

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*SPECIAL REVENUE FUND – SOLID WASTE FUND*  
**BUDGETARY COMPARISON SCHEDULE**  
Year Ended June 30, 2008

	<i><b>Budgeted Amounts</b></i>			<i><b>Actual Over (Under) Final Budget</b></i>
	<i><b>Original</b></i>	<i><b>Final</b></i>	<i><b>Actual</b></i>	
<b>Revenues:</b>				
Charges for services	\$ 67,757	\$ 67,757	\$ 79,680	\$ 11,923
Interest and rents	<u>1,589</u>	<u>1,589</u>	<u>1,504</u>	<u>(85)</u>
Total revenues	<u>69,346</u>	<u>69,346</u>	<u>81,184</u>	<u>11,838</u>
<b>Expenditures:</b>				
Current				
Public works	<u>70,962</u>	<u>70,962</u>	<u>70,679</u>	<u>(283)</u>
Total expenditures	<u>70,962</u>	<u>70,962</u>	<u>70,679</u>	<u>(283)</u>
Net change in fund balance	(1,616)	(1,616)	10,505	12,121
Fund balance, beginning of year	<u>62,126</u>	<u>62,126</u>	<u>62,126</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 60,510</u></u>	<u><u>\$ 60,510</u></u>	<u><u>\$ 72,631</u></u>	<u><u>\$ 12,121</u></u>

***OTHER SUPPLEMENTAL INFORMATION***

# HOPE TOWNSHIP

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## GENERAL FUND

### DETAILED SCHEDULE OF REVENUES

Year Ended June 30, 2008

**Revenues:**

***Current Taxes:***

Property taxes	\$ 52,495
Penalties and interest on taxes	455
Payment in lieu of taxes	997
	<u>53,947</u>

***Licenses and permits:***

CATV franchise fees	<u>1,264</u>
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***State Grants:***

Summer tax collection reimbursement	2,613
State revenue sharing - sales tax	87,932
Metro Act Authority	2,454
	<u>92,999</u>

***Charges for services:***

Cemetery fees	3,325
Zoning/Variance/Appeals fees	850
Other	50
	<u>4,225</u>

***Interest and rents:***

Interest	5,906
Rents	475
	<u>6,381</u>

***Other Revenue:***

Sale of fixed assets	100
Cemetery lots/perpetual care	55
Reimbursements	2,832
Insurance recoveries	91
Refunds and rebates	50
Other	50
	<u>3,178</u>

Total revenues	<u>161,994</u>
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**Other Financing Sources:**

Transfers from other funds	<u>125,938</u>
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Total revenues and other financing sources	<u>\$ 287,932</u>
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# HOPE TOWNSHIP

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES

Year Ended June 30, 2008

***General Government:***

*Board:*

Personnel	\$ 5,047
Supplies	723
Mileage	260
Dues and memberships	1,234
Education and training	2,222
Printing and publications	64
Insurance	4,557
Other	2,365
	<u>16,472</u>

*Supervisor:*

Personnel	8,209
Supplies	42
Mileage	319
Education and training	1,143
	<u>9,713</u>

*Clerk:*

Personnel	8,208
Supplies	604
Telephone	565
Mileage	155
Dues and memberships	50
Education and training	581
Printing and publications	64
Other	50
	<u>10,277</u>

*Audit:*

Contracted services	<u>900</u>
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*Board of Review:*

Personnel	1,015
Mileage	43
Printing and publications	128
Other	54
	<u>1,240</u>

*Treasurer:*

Personnel	11,608
Supplies	757
Telephone	609
Mileage	57
Dues and memberships	35
Printing and publications	1,237
Other	63
	<u>14,366</u>

# HOPE TOWNSHIP

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended June 30, 2008

#### *General Government, Continued:*

##### *Assessor:*

Personnel	\$ 10,908
Supplies	1,006
Telephone	444
Mileage	168
Other	275
	<u>12,801</u>

##### *Elections:*

Personnel	178
Supplies	325
Contracted services	1,419
Mileage	26
Other	606
	<u>2,554</u>

##### *Building and Grounds:*

Personnel	200
Supplies	441
Utilities	3,645
Repairs and maintenance	1,261
Other	111
	<u>5,658</u>

##### *Attorney:*

Contracted services	<u>2,611</u>
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##### *Cemetery:*

Contracted services	6,097
Mileage	75
Dues and memberships	35
Utilities	1,007
Repairs and maintenance	6,641
Other	1,004
	<u>14,859</u>

##### *Other General Government:*

Personnel	<u>200</u>
Total general government	<u>91,651</u>

#### *Public Safety:*

##### *Building Inspection:*

Personnel	<u>156</u>
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# HOPE TOWNSHIP

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended June 30, 2008

**Public Works:**

*Drains at large:*

Contracted services	2,848
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*Roads:*

Contracted services	140,418
Printing and publications	22
	<u>140,440</u>

*Street Lighting:*

Utilities	<u>2,173</u>
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*Other Public Works:*

Personnel	499
Printing and publications	1,079
Other	32
	<u>1,610</u>

Total public works	<u>147,071</u>
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**Community and Economic Development:**

*Planning:*

Personnel	1,350
Mileage	156
Education and training	2,674
Printing and publications	222
Other	138
	<u>4,540</u>

*Board of Appeals:*

Personnel	<u>145</u>
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Total community and economic development	<u>4,685</u>
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**Recreation and Culture:**

*Parks and Recreation Department:*

Personnel	4,816
Supplies	765
Contracted services	3,200
Utilities	543
Repairs and maintenance	1,530
Other	1,882
	<u>12,736</u>

*Library:*

Other	<u>4,376</u>
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Total recreation and culture	<u>17,112</u>
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# HOPE TOWNSHIP

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended June 30, 2008

***Other:***

Insurance	1,363
Retirement	2,966
Payroll taxes	1,431
Unemployment	25
	<u>5,785</u>

***Capital Outlay:***

General government	10,344
Recreation and culture	3,195
	<u>13,539</u>

Total expenditures	<u><u>\$ 279,999</u></u>
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# HOPE TOWNSHIP

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*NONMAJOR GOVERNMENTAL FUNDS*  
**COMBINING BALANCE SHEET**  
Year Ended June 30, 2008

	<i><u>Park Fund</u></i>	<i><u>Chapel Fund</u></i>	<i><u>Total Nonmajor Governmental Funds</u></i>
<b>Assets:</b>			
Cash and cash equivalents	\$ 16,118	\$ 2,133	\$ 18,251
Total assets	<u>\$ 16,118</u>	<u>\$ 2,133</u>	<u>\$ 18,251</u>
<b>Fund Balances:</b>			
Unreserved:			
Special revenue funds	<u>16,118</u>	<u>2,133</u>	<u>18,251</u>
Total fund balances	<u>\$ 16,118</u>	<u>\$ 2,133</u>	<u>\$ 18,251</u>

# HOPE TOWNSHIP

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## NONMAJOR GOVERNMENTAL FUNDS

### COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2008

	<i><b>Park Fund</b></i>	<i><b>Chapel Fund</b></i>	<i><b>Total Nonmajor Governmental Funds</b></i>
<b>Revenues:</b>			
Interest and rents	\$ 118	\$ 54	\$ 172
Other revenue	<u>11,602</u>	<u>-</u>	<u>11,602</u>
Total revenues	<u>11,720</u>	<u>54</u>	<u>11,774</u>
Net change in fund balances	11,720	54	11,774
Fund balances, beginning of year	<u>4,398</u>	<u>2,079</u>	<u>6,477</u>
Fund balances, end of year	<u><u>\$ 16,118</u></u>	<u><u>\$ 2,133</u></u>	<u><u>\$ 18,251</u></u>

# HOPE TOWNSHIP

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## *FIDUCIARY FUND – AGENCY FUND*

### **STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**

Year Ended June 30, 2008

	<u><i>July 1, 2007</i></u>	<u><i>Additions</i></u>	<u><i>Deductions</i></u>	<u><i>June 30, 2008</i></u>
<b><u>Current Tax Collection Fund</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ <u>3,296</u>	\$ <u>465,511</u>	\$ <u>467,807</u>	\$ <u>1,000</u>
<b>Liabilities</b>				
Accounts payable	\$ <u>3,296</u>	\$ <u>465,511</u>	\$ <u>467,807</u>	\$ <u>1,000</u>

# HOPE TOWNSHIP

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## GOVERNMENTAL ACTIVITIES

### SCHEDULE OF INDEBTEDNESS

June 30, 2008

#### Midland County Water Supply (Edenville/Hope) System Bonds, Series 2004

Issue dated April 1, 2004 in the amount of \$ 420,000

Less: Edenville Township's principal portion (210,000)  
Principal paid in prior years (22,500)  
Principal paid in current year (10,000)

Balance payable at June 30, 2008 \$ 177,500

Balance payable as follows:

<i>Fiscal</i> <i>Year Ended</i>	<i>Rate</i>	<i>Principal</i> <i>August 1</i>	<i>Interest</i> <i>August 1</i>	<i>Interest</i> <i>February 1</i>	<i>Total</i> <i>Annual</i> <i>Requirement</i>
2009	2.80%	\$ -	\$ -	\$ 3,691	\$ 3,691
2010	3.10%	10,000	3,691	3,536	17,227
2011	3.30%	10,000	3,536	3,371	16,907
2012	3.50%	10,000	3,371	3,196	16,567
2013	3.65%	10,000	3,196	3,013	16,209
2014	3.80%	10,000	3,013	2,823	15,836
2015	3.95%	10,000	2,823	2,626	15,449
2016	4.05%	10,000	2,626	2,423	15,049
2017	4.15%	10,000	2,423	2,216	14,639
2018	4.25%	10,000	2,216	2,003	14,219
2019	4.35%	12,500	2,003	1,731	16,234
2020	4.45%	12,500	1,731	1,453	15,684
2021	4.55%	12,500	1,453	1,169	15,122
2022	4.60%	12,500	1,169	881	14,550
2023	4.65%	12,500	881	591	13,972
2024	4.70%	12,500	591	297	13,388
2025	4.75%	12,500	297	-	12,797
		<u>\$ 177,500</u>	<u>\$ 35,020</u>	<u>\$ 35,020</u>	<u>\$ 247,540</u>

# HOPE TOWNSHIP

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## *GOVERNMENTAL ACTIVITIES* **SCHEDULE OF INDEBTEDNESS**

June 30, 2008

### **Loan - Fire Pumper/Tanker**

Issue dated October 11, 2006 in the amount of	\$	74,985
Less: Principal paid in prior years		(17,829)
Principal paid in current year		<u>(57,156)</u>
Balance payable at June 30, 2008	\$	<u><u>-</u></u>



## **REQUIRED COMMUNICATION TO HOPE TOWNSHIP IN ACCORDANCE WITH PROFESSIONAL STANDARDS**

To the Township Board  
Hope Township

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hope Township for the year ended June 30, 2008, and have issued our report thereon dated October 23, 2008. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated September 7, 2007, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

### **Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Hope Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates may be particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements.



**Disclosures**

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures may be particularly sensitive because of their significance to financial statement users.

**Difficulties Encountered in Performing the Audit**

We encountered no difficulties in performing and completing our audit.

**Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements, if any.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated October 23, 2008.

**Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Internal Control Matters**

In planning and performing our audit of the financial statements of Hope Township as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Hope Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control. Accordingly, we do not express an opinion on the effectiveness of the Municipality's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Municipality's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that misstatement of the Municipality's financial statements that is more than inconsequential will not be prevented or detected by the Municipality's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Municipality's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined above.

Deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above, follow:

Recording, Processing and Summarizing Accounting Data

Criteria: All governmental units are required to have in place internal controls over recording, processing, summarizing accounting data and preparing financial statements. SAS No. 112 requires us to communicate with you about this.

Conditions: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the recording, processing, summarizing accounting data and preparing financial statements as part of its external financial reporting process. Accordingly, the government has placed reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause: This condition was caused by the government's decision that it is more cost effective to have external auditors recommend the necessary adjusting journal entries to its general ledger and prepare the financial statements than to incur the time and expense for the government to perform these tasks internally.

Effect: As a result of this condition, the government lacks internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and instead relied, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The government has evaluated the cost versus benefit of establishing internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and determined that it is in the best interests of the government to rely on its external auditors to recommend the necessary adjustments and preparation of the financial statements.

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This communication is intended solely for the information and use of management, Township Board, and others within the Municipality, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Berthiaume & Co.*

Berthiaume & Company  
Certified Public Accountants  
Saginaw, Michigan

October 23, 2008